

Fiscal Estimate - 2009 Session

☒ Original
 ☐ Updated
 ☐ Corrected
 ☐ Supplemental

LRB Number 09-0405/1	Introduction Number AB-0184		
Description Increasing expense deductions for income and franchise tax purposes			
Fiscal Effect State: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations </div> <div style="width: 33%;"> <input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Decrease Existing Revenues </div> <div style="width: 33%;"> <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs </div> </div> Local: <div style="display: flex; flex-wrap: wrap;"> <div style="width: 33%;"> <input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> <div style="width: 33%;"> 3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory </div> <div style="width: 33%;"> 5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts </div> </div>			
Fund Sources Affected Affected Ch. 20 Appropriations <input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS			
Agency/Prepared By DOR/ Michael Oakleaf (608) 261-5173	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 70%; padding: 5px;"> Authorized Signature Rebecca Boldt (608) 266-6785 </td> <td style="width: 30%; padding: 5px;"> Date 4/10/2009 </td> </tr> </table>	Authorized Signature Rebecca Boldt (608) 266-6785	Date 4/10/2009
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Fiscal Estimate Narratives

DOR 4/10/2009

LRB Number	09-0405/1	Introduction Number	AB-0184	Estimate Type	Original
Description					
Increasing expense deductions for income and franchise tax purposes					

Assumptions Used in Arriving at Fiscal Estimate

Under current federal law, the maximum amount that a business may claim under Section 179 as an expense deduction for acquiring qualified assets is \$250,000. The deduction is phased out on a dollar-for-dollar basis if the cost of qualified property acquired in the year exceeds \$800,000.

Under current Wisconsin law, the allowable amount of section 179 expense depends on whether the property is used in farming by a person actively engaged in farming. For persons not engaged in farming, the maximum Section 179 expense is \$25,000 and the deduction is phased out for qualified property over \$200,000. For persons actively engaged in farming, the maximum Section 179 deduction is \$115,000 and the deduction is phased out for qualified property over \$460,000.

This bill increases the Wisconsin expense deduction limit to \$50,000 for property that is not used in farming and that is acquired and placed in service in taxable years beginning on or after January 1, 2008.

The entire cost of acquiring certain depreciable property can be claimed by a business as an expense in the year it is acquired if it meets the requirements of Section 179 as adopted by Wisconsin. If the amount spent to acquire the assets exceeds the limit for Section 179 expensing, the business can claim an equal portion of the excess expense as depreciation over a specified period of years depending on the type of asset acquired. The total amount that is deducted from income by the business for the cost of acquiring the asset is the same in either case, the only difference is the tax period into which the deductions fall.

FISCAL ESTIMATE

By increasing the accelerated expensing under Section 179, the bill will reduce revenue in the year when the business claims the eligible expense but will also result in an offsetting increase in revenue in subsequent years as the same business claims a lower depreciation expense.

Based on samples of tax year 2005 returns for both individuals and corporations, the bill would result in a revenue loss of an estimated \$7.3 million in FY 2010, \$1.8 million in FY 2011, and \$700,000 in FY 2012.

The FY 2010 fiscal effect assumes affected entities will amend their 2008 returns. Therefore, the FY 2010 fiscal effect reflects the impact of tax years 2008, 2009, and part of tax year 2010.

Long-Range Fiscal Implications

To the extent that over time the reduced revenue effect of higher expense deductions will be offset by increased revenue from lower depreciation deductions, the net fiscal effect will be a revenue loss of \$100,000 in FY 2013 and minimal thereafter.

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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Description Increasing expense deductions for income and franchise tax purposes			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$	\$	
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$	\$	
B. State Costs by Source of Funds			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$	\$	
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$	\$	
NET CHANGE IN REVENUE	\$See Text	\$	
Agency/Prepared By		Authorized Signature	Date
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